 forbes.com/sites/jonathanmoed/2018/11/19/start-up-chiles-impact-2010-2018-inside-the-revolutionary-startup-accelerator

November 19, 2018



Start-Up Chile (SUP), the public startup accelerator launched by the Chilean government, has built a reputation as a world-leading program, and has transformed entrepreneurship in its native country and throughout Latin America. Its influence extends globally, and it has spurred a new class of public accelerator programs around the world.

Given that Start-Up Chile has existed for 8 years, and has compiled data from its participating companies, it's possible to look back and answer the fundamental question of how and why the program has been so successful. More specifically, how did a public accelerator started by the Chilean government grow to become one of the top startup accelerators in the world (across both private and public accelerators), and what's unique about its model—why hasn't it worked nearly as well in other countries?

This article offers an exclusive look inside the evolution and success of Start-Up Chile, including the program's newly released 2018 impact figures, and information gathered through interviews of the program's leadership and company success stories. It is informed by time I spent in Chile this past year learning about the Chilean startup ecosystem.

Program Background

First, a brief history of Start-Up Chile, and how the program works. Start-Up Chile was launched in 2010 by the Chilean government, through its development agency [CORFO](#) (Corporación de Fomento de la Producción de Chile). It was conceived as a means of changing the Chilean mindset and culture surrounding entrepreneurship, and developing Chile into a technology entrepreneurship hub within Latin America. It was also founded to increase Chile's international business profile and recognition from abroad.

The accelerator includes a [Seed](#) program based in Santiago offering companies from around the world up to US\$80,000 equity-free as well as a working visa, office space, trainings, and access to the SUP community. Additionally, Start-Up Chile runs a pre-acceleration program targeting female entrepreneurs, [The S Factory](#), offering up to US\$20,000 equity free. Finally, top-performing companies can apply for follow-on funds provided by CORFO.

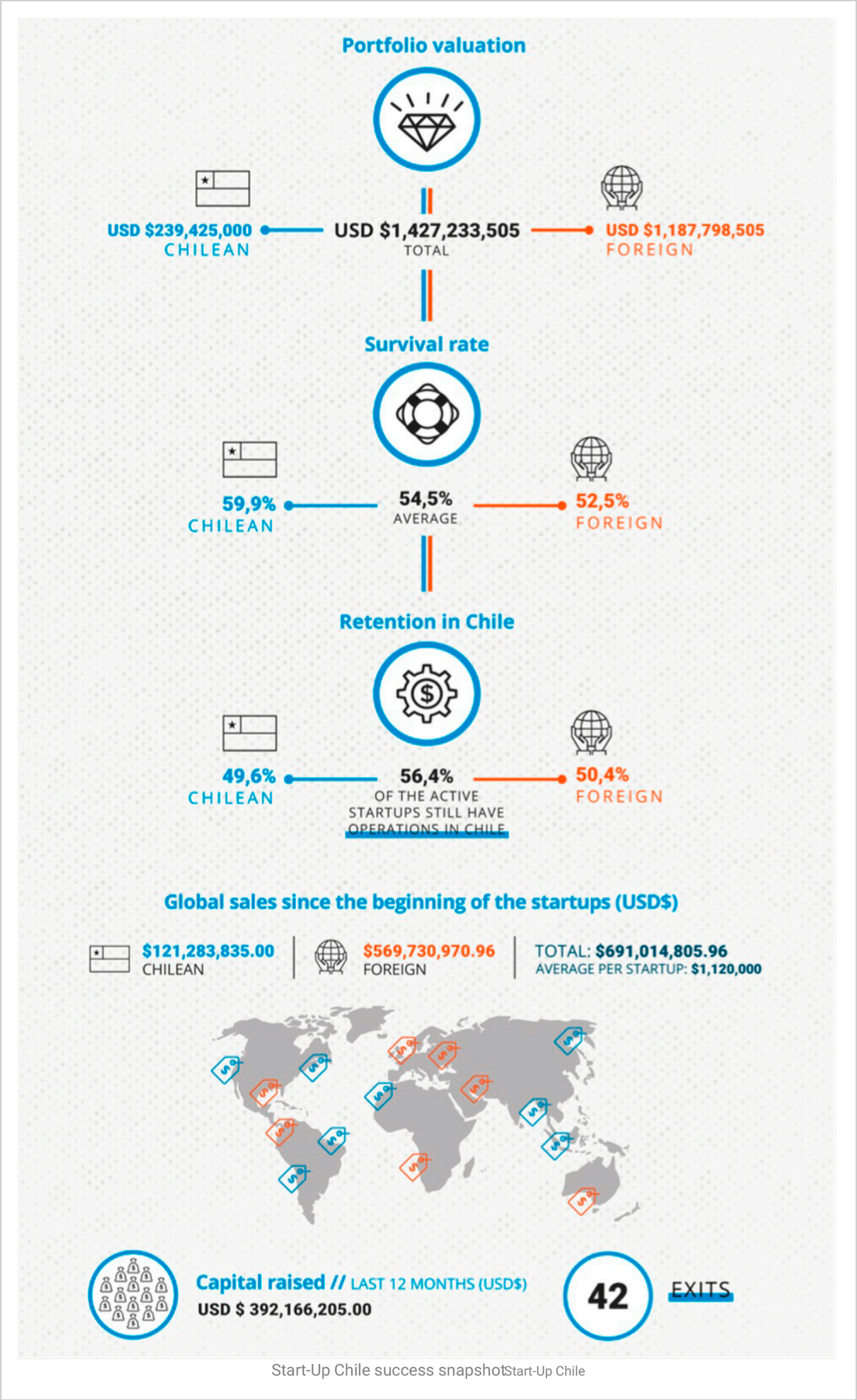
Since its launch, Start-Up Chile has accelerated more than 1,600 companies from 85 countries—notably around 3x more foreign companies than Chilean companies have participated. As mentioned above, its reach and influence extends globally, and it has been credited as the inspiration behind public accelerator programs in over 50 countries including: Argentina ([IncuBAte](#)), Peru ([Startup Peru](#)), Mexico ([Startup Mexico](#)), Colombia ([Ruta N](#)), Brazil ([Start-Up Brazil](#)), Malaysia ([MaGIC](#)), Jamaica ([Start Up Jamaica](#)), South Korea ([K-Startup Grand Challenge](#)), and many more.

With this context in mind, here are the newly released figures from Start-Up Chile tracking its impact since inception.

Success Snapshot

Key figures summary:

- Portfolio valuation: US\$1.4 billion
- Overall survival rate: 54.5%
- Overall retention rate: 56.4%
- Global sales since the start of the program: US\$700 million
- Global capital raised past 12 months: US\$392 million (of total US\$1 billion raised since the start of the program)
- Exits: 42



What’s Behind The Success?

Why has Start-Up Chile grown as it has, and what must other countries keep in mind as

they explore the implementation of similar models?

Timing: According to SUP Executive Director Sebastian Diaz, timing played a key role in the growth of Start-Up Chile. The accelerator launched in 2010, in the midst of a global financial crisis. Economies throughout Europe and the U.S. were struggling to cope with the recession, and U.S. immigration policy was (and is) a major obstacle in the path of immigrant entrepreneurs looking to learn and build businesses in the country. Chile seized on this opportunity by opening its borders and welcoming global entrepreneurs. As a [2012 article from The Economist](#) remarked:

Many countries have sought to create their own versions of Silicon Valley. Nearly all have failed. Yet Chile's attempt is interesting because it exploits the original Silicon Valley's weak spot—America's awful immigration system. When the home of free enterprise turns away entrepreneurs, Chile welcomes them.

Examples of since successful foreign companies that came to Chile in 2010 include [JumpSeller](#) from Portugal and [Entrustet](#) from the U.S. JumpSeller is a cloud e-commerce solution for small businesses to create an online store and sell anywhere in the world. It operates in Portugal, Spain, Switzerland, the U.S., Tajikistan, as well as in several Latin American countries such as Argentina, Brazil, Chile, Colombia, and Mexico. This is a testament to the lasting relationships the team was able to build within Latin America during the program, and its continued investment in the region.

Entrustet, an online storage solution allowing people to create and transfer a secure list of their digital assets (e.g., online accounts or computer files), was founded by Nathan Lustig in Wisconsin in 2010. After reading about Start-Up Chile, Lustig applied and was accepted in August 2010. When asked what drew him to the program, Lustig cited the equity-free capital and perks of SUP as the motivating factors behind his decision to apply and join, along with the opportunity to leave behind Wisconsin's winter climate.

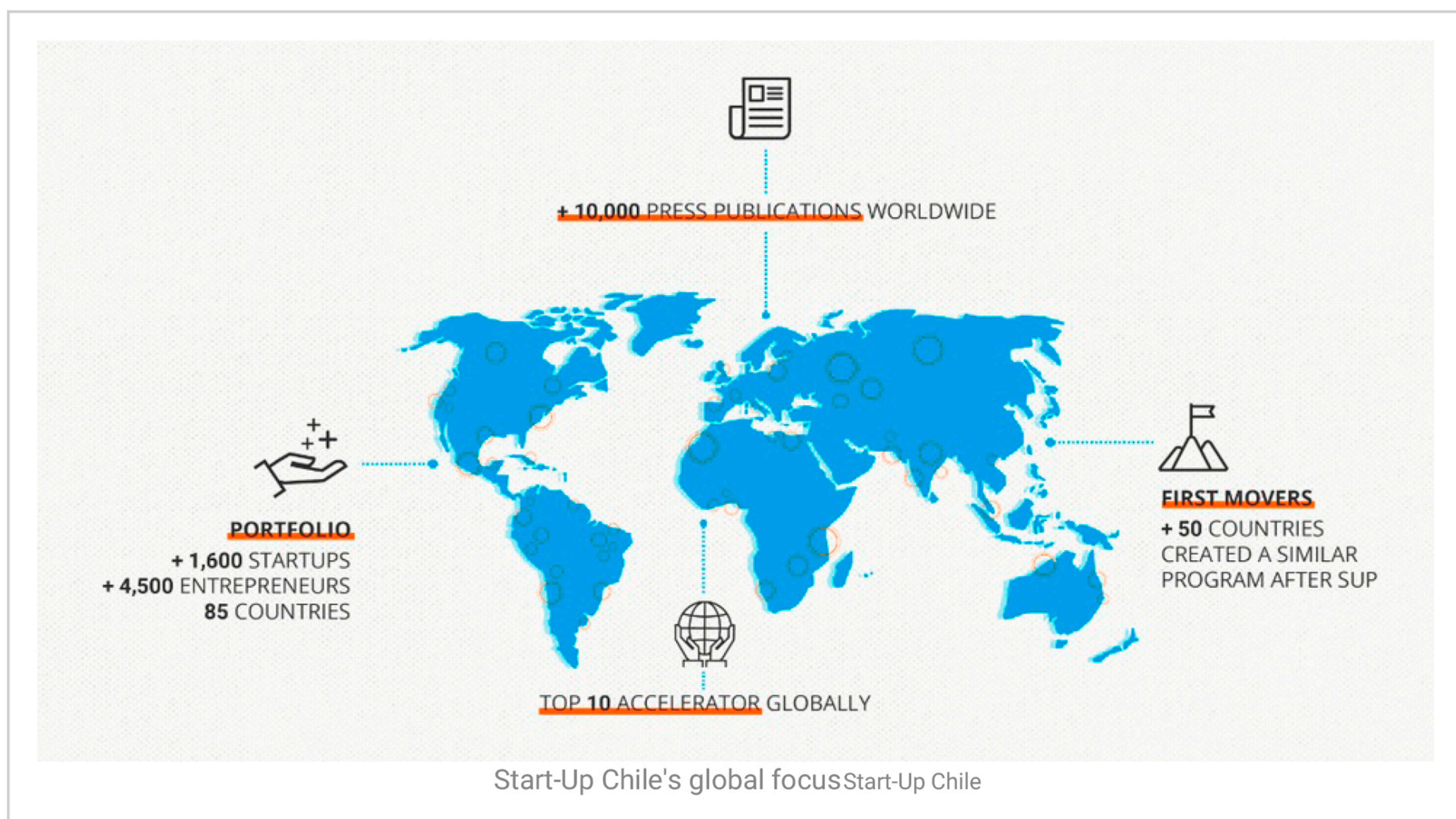
After completing the 6-month accelerator program, Lustig returned to the U.S., and 6 months later Entrustet was acquired. What makes Lustig's story particularly interesting is his enduring ties to Chile's startup ecosystem. He eventually made his way back to Chile, and has gone on to co-found [Magma Partners](#), the only fully private venture capital firm in Chile and a regular investor in Latin American startups, including some from Start-Up Chile's portfolio.

Global focus: The embrace of global entrepreneurs that began with the inception of SUP in 2010 has continued throughout its evolution: as mentioned, companies from 85 countries have participated from 2010 through today. In contrast, many public accelerators (even those drawing from the SUP model) limit their programs to companies based in the program country, and even go so far as to limit the geography of applicants to a specific state or region. Others place restrictions on hiring locals versus foreigners.

Start-Up Chile's diversity has instilled a global mindset in its portfolio companies. The program operates entirely in English, and while participants are encouraged to build a presence for their businesses in Chile, they are also encouraged to think beyond the country and even region. It should also be noted that SUP has always been willing to share its methodology and approach and partner with other countries looking to use public

startup acceleration to promote entrepreneurship domestically.

As a result of this outlook and diversity, Start-Up Chile has succeeded not only in transforming its native culture and its own ecosystem, but has also significantly increased Chile's standing abroad. As Slovak President Andrej Kiska said in a 2016 interview: "Start-Up Chile in the years of its existence has become absolutely the most successful start-up project in South America, and it's in the world's top ten. It's a project that deserves attention."



Structure: An important aspect of Start-Up Chile that separates it from most other public accelerator programs is how it is structured. In many ways, SUP is insulated from the rest of the Chilean government and operates as a separate entity—in the words of Sebastian Diaz, “an independent republic of the government.” This helps avoid issues that arise from differences in the way and the speed at which things are done in startups versus in government.

As Sebastian Sichel, Executive Vice President of CORFO, noted: “Start-Up Chile has managed to get the best from the private and public sectors and engage it all in benefit of the entrepreneurs. While being a CORFO program, we have been [careful] to safeguard its public policy definition [so that it is] seen as a country effort more than a particular government's effort.” In other words, by framing SUP as a state policy rather than a government policy, and securing the buy-in of the Chilean people, SUP is not as susceptible to changes in the government or its policies.

Start-Up Chile had the benefit of being a first-mover in the public accelerator space—of building its program from the ground up and tailoring it to its government and state structures with a clear purpose and vision. Consequently, there is less bureaucracy involved in SUP processes, and there is more trust placed in SUP by the government, and placed in SUP entrepreneurs by the program. That's not to say there is no bureaucracy involved for applicants and portfolio companies—after all, SUP's grants are provided using

taxpayer dollars and therefore a heightened level of accountability of responsibility is attached. However, the program was built with enough flexibility to adapt to and address issues as they arise.

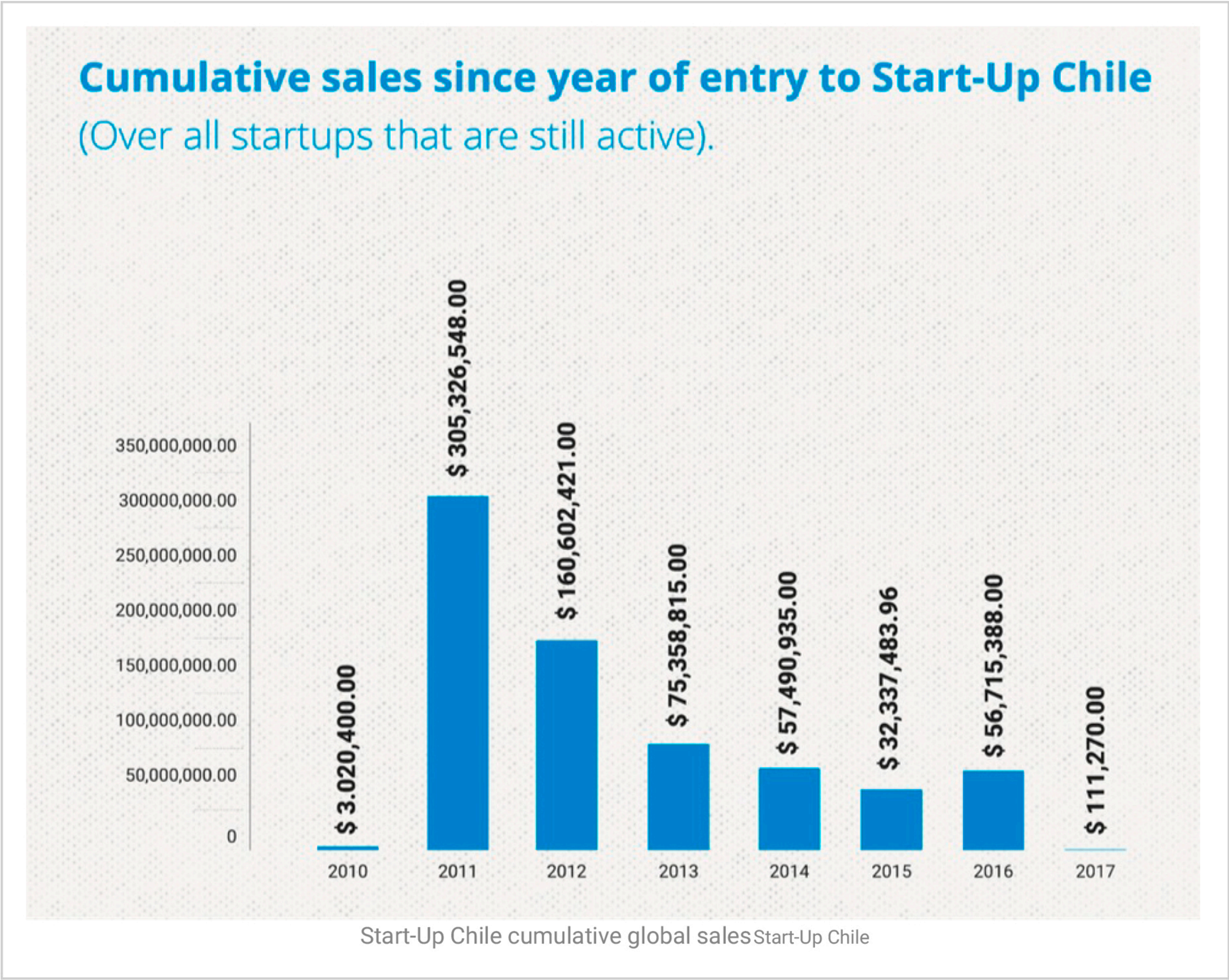
On the other hand, many other countries that have replicated the SUP model have attempted to copy-and-paste it rather than taking the time upfront to adapt it to their government structures and markets. Without a proper and customized model from which to execute, these public accelerators are swallowed up in the convolution of government bureaucracy. Whether it be requiring foreigners to jump through countless hoops to secure a visa, or placing substantial restrictions on how grant money can be spent, most public accelerators de facto function more as government agencies as opposed to startup programs.

Patience: Another crucial differentiator and determinant of Start-Up Chile's success is its long-term focus and patience. From the start, SUP's goals were not tied to valuations or sales, but rather to altering the Chilean view of entrepreneurship, and creating an entrepreneurial hub of talented and motivated individuals and teams. This perspective liberates the program and its companies from many of the short-term pressures associated with startups and allows them to grow properly—a large reason why the SUP survival rate is an impressive 54.5% (and 59.9% for SUP's Chilean companies).

Start-Up Chile's long-term focus is reflected in the structure of the program, specifically how capital is provided, what's provided beyond capital, and the lifecycle of these additional benefits. Unlike many other public accelerators that take equity or have other means of trying to recoup their investment in the short-term, SUP's offer is equity-free. Additionally, companies receive mentorship, entrepreneurship training, and importantly become part of a global network. This network includes over 4,500 alumni globally, 60+ private investors and venture capital funds globally, more than 160 national and multinational companies and public organizations, 100+ worldwide partners ranging from accelerators and universities to regional government agencies, and more than 260 active mentors. Community is a huge draw for SUP companies, and is behind SUP's 56.4% rate of retention (the rate of companies across all Start-Up Chile generations that are still operating or have sales teams in Chile).

What Start-Up Chile seems to understand better than most, is that startup growth takes a long time, and cannot be rushed. Moreover, metrics like the amount of capital raised signify a single step in the evolution of a startup, and a means to a greater end rather than an ultimate milestone.

The program has developed momentum gradually over the course of the past 8 years since it first opened its doors. In fact, of the US\$700 million in sales that SUP companies have generated cumulatively, the vast majority of sales have been generated by companies from the first couple of generations—2011 & 2012—and much of this amount (US\$340 million) was generated in the past 12 months. This signifies at least a 5-year timeframe to achieve real sales growth. Furthermore, as seen in the earlier success snapshot infographic, nearly US\$400 million of SUP's US\$1 billion of total capital raised, was raised in the past 12 months.



These factors—timing, a global focus, the program structure, and its long-term outlook—all have contributed to Start-Up Chile’s success. By doing things its own way and tailoring its program to the needs of the ecosystem and the entrepreneurs, growth and achievement have emerged organically. Start-Up Chile has proven its model to the Chilean people and to the world.

By its own standards of measurement, SUP has experienced massive success. It has catalyzed the rise of and respect for entrepreneurship across an entire country. As Sebastian Diaz called out: “today, Chile is positioned as the best hub in Latin America in international rankings like GEDI. Universities offer courses and masters degrees in innovation and entrepreneurship, the media covers startups, and the big national corporations are more willing to work with startups.” And as Nathan Lustig recognized, even looking on a smaller scale solely at the individuals who participated in the program, the amount they have since invested in the country financially and otherwise far exceeds the amount they were granted.

In terms of industry-standard measurements of success, Start-Up Chile’s portfolio returns represent an 18x return on the initial capital invested and the portfolio includes 42 exits. Notable alumni include Spanish ride-sharing company Cabify, Brazilian freight transport company CargoX, U.K. shipping services marketplace MercadoTransporte, and Argentinian online apparel solution Glamit.

Looking Ahead

Startup Chile experienced such acclaim and success in its first several years, that in 2016, the program refreshed its goals and shifted from a focus on culture and creating a startup ecosystem to impacting socio-economic growth in Chile through startups. As SUP Executive Director Sebastian Diaz explained:

In 2015, we were seeing that the startup ecosystem in Chile started growing more organically and that there were other actors that were working on building a culture and the [capabilities] to drive entrepreneurship and innovation. On the other hand, you had many startups lacking resources and support to grow and scale. That’s why Start-Up Chile [has moved] to another role, bringing support to startups so they can grow better, using Chile as a platform. It is not just a change of goals, but is the evolution of a public policy.

This new goal addresses some of the lingering challenges of the Chilean ecosystem, including a severe lack of local private capital and the resources needed to support startup scaling. To reach this new goal, Diaz and the team at SUP are investing in 3 key areas:

1. **Connections within the Chilean market**: growing from Chile using the country as a platform. This includes matching big corporation problems with startup solutions, and preparing startups to raise private sector funds.
2. **Knowledge transfer into the ecosystem**: creating an innovative work environment within big corporations and other public institutions. Also, continuing to connect entrepreneurial talent in Chile to motivate the creation of new ventures. Finally, working closely with others departments inside CORFO to share SUP’s methodology and help more entrepreneurs grow in different parts of Chile.
3. **International connections**: helping startups grow globally using SUP’s partners network, such as other accelerators, government programs, and venture funds. Additionally, attracting startups that fit problems in the region to increase their chances to connect with local markets, through SUP’s scouting strategy.

Diaz recognizes that much work remains. As he concluded: “we’ll see the real impact of Start-Up Chile in 5-10 years from now, and maybe more.” This forward-looking view—which

has served Start-Up Chile so well to this point--will certainly continue to be a valuable asset as the program scales to new heights and aims to elevate Chile's innovation economy.